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ABSTRACT

This statement of Cornelia M. Blanchette to the U.S. Senate Committee on Labor and Human Reources discusses Department of Education information management systems that support the financial aid programs authorized by Title IV of the Higher Education Act of 1965, as amended. These programs help the Federal Family Education Loan Program (FFELP), the Ford Direct Loan Program (FDLP), the Federal Pell Grant Program, and campus-based programs. Comments are based on work done for high-risk series and other studies done on federal student fiancial programs, as well as ongoing work analyzing the Department's development and use of information systems. There is concern that without effective information management resulting from fully implementing recent legislation--the Clinger-Cohen Act--the multiple, nonintegrated information systems currently operated by the Department may hamper its management of student financial aid programs. Over the past 30 years, separate information systems have been developed to support student financial aid programs. These multiple systems contain incompatible data in nonstandard formats--a situation that has led to inaccurate information, inefficient systems, and high costs. One of the causes of the current information systems' difficulties appears to be the lack of sound, integrated information technology, or systems architecture for managing the Department's portfolio of information systems that support student financial aid programs. The Clinger-Cohen Act of 1996 makes agency heads directly responsible for effective information technology. The Department of Education could benefit greatly by fully implementing the Clinger-Cohen Act. Full implementation of

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the law would provide another opportunity to correct many of the Department's student financial aid system weaknesses. Appendices list Education Department student financial aid systems and their contract costs from fiscal year 1994 through 1998. Contains a 10-item list of related GAO reports. (JLS)

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DEPARTMENT OF EDUCATION

Multiple, Nonintegrated Systems Hamper Management of Student Financial Aid Programs

Statement of Cornelia M. Blanchette, Associate Director
Education and Employment Issues
Health, Education, and Human Services Division

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GAO/T-HEHS/AIMD-97-132

Department of Education: Multiple, Nonintegrated Systems Hamper Management of Student Financial Aid Programs

Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss Department of Education information management systems that support the financial aid programs authorized by title IV of the Higher Education Act of 1965, as amended (HEA). These programs include the Federal Family Education Loan Program (FFELP), the Ford Direct Loan Program (FDLP), the Federal Pell Grant Program, and campus-based programs.[1] As you are aware, these programs are the largest source of federal financial aid to postsecondary students. In academic year 1998-99, title IV programs will make available over $47 billion in loans, grants, and other aid to about 8.1 million students.

In 1990, we began a special effort to review and report on the federal programs we considered at high risk because of vulnerabilities to waste, fraud, abuse, and mismanagement. Federal student financial aid programs have been included in each of the three series of high-risk reports we have issued. The Department has taken various actions over the last few years in response to recommendations made by GAO and others. Many of these actions have likely played a major role in reducing the number of student loan defaults and the default rate.

While in our latest series we commended the Department for its efforts over the last few years in response to recommendations we and others have made,[2] we noted continuing concerns about the Department's management and oversight of postsecondary student financial aid programs and the information systems in place to support them.

Our comments today are based on the work we have done for our high-risk series and other studies we have done on federal student financial aid programs, as well as ongoing work analyzing the Department's development and use of information systems (see list of related GAO products at the end of this statement). In summary, we are concerned that without effective information management that would result from fully implementing recent legislation—the Clinger-Cohen Act—the multiple, nonintegrated information systems currently operated by the Department may hamper its management of student financial aid programs.

[1]The campus-based programs include the (1) Federal Work-Study Program, (2) Federal Perkins Loan Program, and (3) Federal Supplemental Educational Opportunity Grant Program.

[2]High-Risk Series: Student Financial Aid (GAO/HR-97-11, Feb. 1997).

Management of Title IV Programs Is Hampered by Multiple, Nonintegrated Information Systems

While the Department has taken actions to comply with HEA requirements for the National Student Loan Data System (NSLDS),[3] it still does not yet have an accurate, efficient, and integrated system for national student financial aid data. The Department continues to operate separate "stove pipe" systems and lacks a strategy to integrate the systems supporting the title IV programs.

The Department relies on data in its student financial aid information systems to support a variety of student aid programs and financial operations. The 1986 HEA amendments required the Secretary of Education to develop NSLDS to ensure (1) the collection of accurate information on student loan indebtedness and institutional lending practices and (2) improved compliance with repayment and loan limitation provisions. The 1992 HEA amendments expanded the scope of NSLDS by requiring the Department to integrate NSLDS with the Pell grant applicant and recipient databases by January 1, 1994, and with any other databases containing information on student financial aid program participation. In response to these legislative mandates, in January 1993, the Department awarded a 5-year contract to develop and maintain NSLDS. Loan information is now transmitted to NSLDS on a regular basis by schools, guaranty agencies, and the FDLP servicer.

Over the past 30 years, separate information systems—including the FFELP System[4] for the guaranteed loan program, the Pell Grant Recipient and Financial Management System, the FDLP systems,[5] and now NSLDS—have been developed to support student financial aid programs. These multiple systems contain incompatible data in nonstandard formats—a situation that has led to inaccurate information, inefficient systems, and high costs. The fiscal year 1997 budget for contracts to maintain 11 separate, nonintegrated systems was $281.9 million and is expected to climb to $320.5 million in fiscal year 1998—an increase of $38.6 million, or 14 percent (see app. I). Through the 5-year period ending with fiscal year 1998, student financial aid systems' costs will have tripled (see app. II).

Federal student financial aid programs remain vulnerable to losses as a result of fraud, waste, abuse, and mismanagement due to a large extent because the Department, guaranty agencies, schools, and lenders often do

[3]NSLDS is the first national source of current student loan and grant data on student financial aid participants.

[4]The FFELP System has a number of subsystems—a debt collection system, guaranty agency system, lender and school system, and support system.

[5]The FDLP system includes an origination system, a central database, and four servicing systems.

not have the accurate, complete, and timely information they need to effectively and efficiently operate and manage the programs. The resultant program operation and monitoring difficulties stem from the lack of a fully functional integrated database covering all title IV financial aid programs that can integrate recipient information from all available sources. NSLDS is not such a database, but a repository for data from multiple data providers. Furthermore, as we reported in 1996, the Department's Office of Inspector General and we believe that the Department has not adequately tested the accuracy and validity of loan data submitted to NSLDS.[6]

One of the causes of the current information systems' difficulties appears to be the lack of a sound, integrated information technology or systems architecture for managing the Department's portfolio of information systems that support student financial aid programs. A systems architecture or strategy is a blueprint for developing and maintaining integrated information systems that are appropriate for (1) an organization's mission; (2) the operations that must be executed and their necessary relationships and informational needs; and (3) ensuring, on a technical level, the rules and standards required for interrelated systems to work together efficiently and effectively over a network. The architecture ensures that the systems have computer programs that can be transferred from one hardware configuration and/or software environment to another, and are maintainable. In other words, a sound systems architecture would ensure that the data being collected and maintained within an organization are structured and stored in a manner that makes them accessible, understandable, and useful throughout the organization.

With respect to the totality of federal student financial aid programs, the lack of a sound information systems architecture seems to have contributed, in part, to the development of a multitude of nonintegrated systems across the Department. This, in turn, has led to problems in systems interface and data exchange, confusion for users, and delays in program operations. For example, large amounts of redundant data on student financial aid recipients are generated by schools, lenders, guaranty agencies, and several internal departmental systems, and then stored in numerous databases. Often data stored on these separate systems' databases are in conflict with data in NSLDS as a result of differences in the timing of updates between data providers. We also found that erroneous data submitted to NSLDS may result in duplicate loan records being created.

[6]Department of Education: Status of Actions to Improve the Management of Student Financial Aid (GAO/HEHS-96-143, July 12, 1996).

The Department, with the guaranty agencies, is undertaking a major reconciliation effort to clean up the erroneous loan records.

Another related cause of the current information problems is a lack of common identifiers for students and institutions, making it difficult to track students and institutions across systems. The 1992 amendments required the Department to establish, no later than July 1, 1993, common identifiers for students and institutions. However, the Department's current plans for institutions do not call for the development and implementation of common identifiers until academic year 1999-2000. For students, the Department has required that all applicants for federal student aid provide their Social Security numbers, which the Department has stated are its common student identifiers. However, identification of student records across systems is still a cumbersome process because each system uses, in addition to the Social Security number, different combinations of data fields to uniquely identify, access, and update student records. This nonstandard method for accessing and updating student records across systems may be one of the factors contributing to the significant number of duplicate records on the NSLDS.

Improvements Could Result From the Proper Implementation of the Clinger-Cohen Act

The Clinger-Cohen Act of 1996 makes agency heads directly responsible for effective information technology. Among their key duties, agency heads are to

- establish goals to improve the efficiency and effectiveness of agency operations and, as appropriate, the delivery of services to the public through the effective use of information technology;
- prepare an annual report as part of the agency's budget submission to the Congress on the progress in achieving the agency's information technology goals; and
- ensure that performance measurements are prescribed for information technology used or acquired by the agency and that they measure how well the information technology supports the agency's programs.

To help them carry out these new responsibilities, the agency heads are to designate a Chief Information Officer (CIO). The CIO is to be much more than a senior technology manager. As a top-level executive reporting directly to the agency head, the CIO is responsible for, among other duties, developing, maintaining, and facilitating the implementation of a sound and integrated information technology architecture.

The Department could benefit greatly by fully implementing the Clinger-Cohen Act. Full implementation of this law would provide another opportunity to correct many of the Department's student financial aid system weaknesses. The Department has recently appointed an acting CIO. However, because the law is in the early stages of implementation, as we reported in February 1997, it is too early to predict how well the Department will implement the law. We believe that, as a first step, the Department must develop a sound information systems architecture, as called for in the Clinger-Cohen Act, for the student financial aid programs to guide the Department as it makes key information management decisions.

Mr. Chairman, this concludes my prepared testimony. My colleagues and I will be happy to answer any questions that you or Members of the Committee may have.

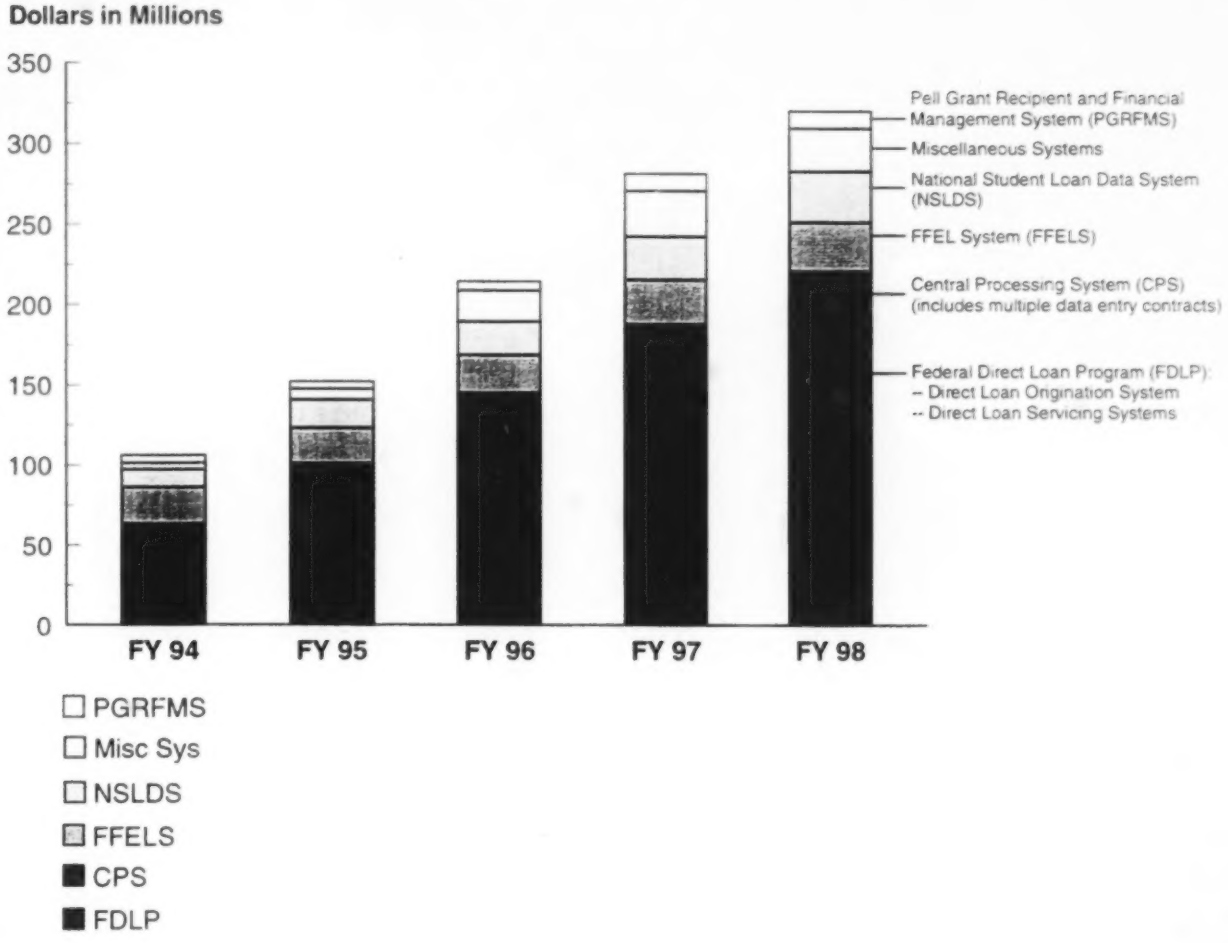
Contributors

For more information on this testimony, please call David B. Alston, Assistant Director, at (202) 512-6369 or Joseph J. Eglin, Jr., Assistant Director, at (202) 512-7009. Other major contributors included Paula N. Denman, Joel R. Marus, Glenn R. Nichols, and M. Yvonne Sanchez.

Department of Education Student Financial Aid Systems

System	Contractor	FY 98 Budget (dollars in millions)
Federal Direct Loan Program (FDLP):		$170.0
· Direct Loan Origination System	Computer Data Systems, Inc. (old) and Electronic Data Systems (new)	
· Direct Loan Servicing Systems	Computer Data Systems, Inc.; Electronic Data Systems; Raytheon/E-Systems, Inc.; and Education Loan Servicing Center, Inc.	
National Student Loan Data System (NSLDS)	Raytheon/E-Systems, Inc.	31.6
FFEL System (FFELS)	Raytheon/E-Systems, Inc.	30.5
Multiple Data Entry Contracts	INET and American College Testing	27.1
Central Processing System (CPS)	National Computer Systems	23.9
Title IV Wide Area Network	National Computer Systems	17.2
Pell Grant Recipient and Financial Management System (PGRFMS)	Planning Research Corp., Inc.	10.8
Project Easy Access for Students and Institutions	Price Waterhouse	5.0
Postsecondary Education Participants System	Computer Business Machines, Inc., and Madentech	2.5
Campus-Based Systems	Universal Automation Labs, Inc.	1.9
	Total	**$320.5**

Student Financial Aid Systems' Contract Costs Over 5 Years



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Related GAO Products

High Risk Series: Student Financial Aid (GAO/HR-97-11, Feb. 1997).

Reporting of Student Loan Enrollment Status (GAO/HEHS-97-44R, Feb. 6, 1997).

Department of Education: Status of Actions to Improve the Management of Student Financial Aid (GAO/HEHS-96-143, July 12, 1996).

Student Financial Aid: Data Not Fully Utilized to Identify Inappropriately Awarded Loans and Grants (GAO/T-HEHS-95-199, July 12, 1995).

Student Financial Aid: Data Not Fully Utilized to Identify Inappropriately Awarded Loans and Grants (GAO/HEHS-95-89, July 11, 1995).

Federal Family Education Loan Information System: Weak Computer Controls Increase Risk of Unauthorized Access to Sensitive Data (GAO/AIMD-95-117, June 12, 1995).

Financial Audit: Federal Family Education Loan Program's Financial Statements for Fiscal Years 1993 and 1992 (GAO/AIMD-94-131, June 30, 1994).

Financial Management: Education's Student Loan Program Controls Over Lenders Need Improvement (GAO/AIMD-93-33, Sept. 9, 1993).

Financial Audit: Guaranteed Student Loan Program's Internal Controls and Structure Need Improvement (GAO/AFMD-93-20, Mar. 16, 1993).

Department of Education: Management Commitment Needed to Improve Information Resources Management (GAO/IMTEC-92-17, Apr. 20, 1992).

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